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Message Text

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INFO OCT-01 IO-13 ADP-00 AID-20 CEA-02 CIAE-00 COME-00

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TRSE-00 LAB-06 SIL-01 OMB-01 SS-15 NSC-10 L-03 H-02

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INFO AMEMBASSY BONN
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AMEMBASSY COPENHAGEN
AMEMBASSY DUBLIN
AMEMBASSY THE HAGUE
AMEMBASSY LONDON
AMEMBASSY LUXEMBOURG
AMEMBASSY PARIS
AMEMBASSY ROME
USMISSION GENEVA
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E. O. 11652: N/ A
TAGS: ETRD, EEC, GATT
SUBJ: COMMUNITY' S OVERVIEW ON TRADE POLICY --
EXEGESIS BY WELLENSTEIN

REF: (A) EC BRUSSELS A-249, (B) EC BRUSSELS 3616

1. BEGIN SUMMARY. COMMISSION DIRECTOR GENERAL EDMUND WELLENSTEIN EXPLAINED TO AMBASSADOR GREENWALD THE OUTSTANDING POINTS OF THE JUNE 25-26 COUNCIL DECISIONS
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ON THE COMMUNITY' S TRADE OVERVIEW. WELLENSTEIN WAS
PERSONALLY PLEASED AT THE RESULTS AND FELT THEY ENABLED
THE COMMISSION TO TAKE A POSITION IN GENEVA AND TOKYO
LEADING TO SIGNIFICANT NEGOTIATIONS. THE MAIN RETROGRES-
SIONS FROM THE COMMISSION' S ORIGINAL DRAFT ARE IN
AGRICULTURE, HARMONIZATION AND DEPTH OF TARIFF CUTS ON
INDUSTRIAL PRODUCTS. END SUMMARY.

2. IN AN EXTENDED CONVERSATION WITH AMBASSADOR GREENWALD,
DIRECTOR GENERAL WELLENSTEIN INTERPRETED THE RESULTS OF
THE EC COUNCIL' S JUNE 25-26 DECISIONS ON THE COMMUNITY' S
OVERVIEW ON TRADE NEGOTIATIONS. (COMMENTS BELOW ARE RELATED TO
THE SECTIONS AND PARAGRAPHS OF THE FRENCH TEXT RELAYED
IN REF A. THE NUMBERS WILL REMAIN THE SAME IN THE ENGLISH
TRANSLATION TO BE SUBMITTED SUBSEQUENTLY.)

3. WELLENSTEIN BELIEVES THAT THE REVISED PREAMBLE SHOULD
PRESENT NO PROBLEMS. HOWEVER, HE CALLED OUR ATTENTION TO
TWO CHANGES MADE BY THE COUNCIL. ON THE LINK BETWEEN MONE-
TARY AND TRADE NEGOTIATIONS (SECTION FIVE OF THE PREAMBLE),
WELLENSTEIN SAID IT WAS NOT RPT NOT DRAFTED AS A PRE- CONDITION
TO THE PROGRESS OR CONCLUSION OF THE NEGOTIATIONS. HE
ASSUMES THAT ALL PARTIES WOULD HAVE MONETARY DEVELOPMENTS
IN MIND DURING THE NEGOTIATIONS. SHOULD THE MONETARY
SITUATION OVER THE NEXT YEAR AND A HALF DETERIORATE BADLY,
THIS WOULD OBVIOUSLY HAVE AN EFFECT ON THE NEGOTIATIONS.
HOWEVER, WELLENSETIN DOUBTED THAT A SITUATION WOULD ARISE
IN WHICH THE COMMUNITY WOULD ACCEPT THE RESULTS OF THE
TRADE NEGOTIATIONS PER SE AND THEN BACK OUT PURELY
ON THE GROUNDS OF LACKOF PROGRESS IN THE MONETARY
NEGOTIATIONS. THE SECOND POINT OF SIGNIFINCE IN THE
PREAMBLE IS IN THE LAST PHRASE OF THE LAST PARAGRAPH OF
SECTION FIVE (I. E., NO NEW SAFEGUARD RULES FOR BALANCE
OF PAYMENT PRUPOSES). WELLENSTEIN INTERPRETS THIS TO MEAN
THAT THE COMMUNITY WOULD OPPOSE ANY EFFORT TO MODIFY THE
GATT BALANCE OF PAYMENTS PROVISIONS. THE COMMUNITY RECOG-
NIZES THAT CUSTOM AND PRECEDENT HAVE PERMITTED THE USE OF
IMPORT SURCHARGES RATHER THAN QUOTAS FOR BALANCE- OF- PAYMENTS
REASONS. HOWEVER, THE COMMUNITY PREFERS THIS " COMMON LAW"
PRACTICE TO A LEGALIZATION OF SURCHARGES WICH WOULD, IN
THEIR VIEW, RESULT IN MORE FREQUENT AND EASY USE.
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4. IN CHAPTER ONE, OBJECTIVES, SECTION THREE, THE REFERENCE
TO GENERAL REVISIONS OF THE GATT IS APPARENTLY RELATED TO
THE ARTICLE XIX SAFEGUARDS ISSUE.

5. INDUSTRIAL TARIFFS. DESPITE THE INORDINATE LENGTH OF
THE PARAGRAPHS ON HARMONIZATION, THE FINAL TEXT MAINTAINS

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LIBERALIZATION AS THE OVERRIDING OBJECTIVE. THE IDEA OF A FORMULA WHICH WILL REDUCE TARIFF DISPARITIES IS, ACCORDING TO WELLENSTEIN, A QUESTION OF NEGOTIATING TECHNIQUES. IN RESPONSE TO A QUESTION ABOUT HOW RECIPROCITY WOULD BE ACHIEVED UNDER A SYSTEM OF CUTTING HIGHER TARIFFS BY A LARGER PERCENTAGE THAN LOWER TARIFFS, WELLENSTEIN SAID THAT IS WHERE THE FLOOR CAME IN. COUNTRIES WITH A LARGE NUMBER OF LOW DUTIES WOULD NOT BE REQUIRED TO REDUCE THEM. AMBASSADOR GREENWALD REPLIED, ON A PERSONAL BASIS, THAT THIS SEEMED TO HIM TO BE AN UNFORTUNATE APPROACH. IT MADE LITTLE SENSE TO EXCLUDE (AS A GENERAL RULE) THE REDUCTION OR ELIMINATION OF LOW DUTIES. HE RECALLED THE YEAR SPENT IN THE KENNEDY ROUND ON THE " DISPARITIES" ISSUE AND EXPRESSED THE HOPE THAT THIS FRUITLESS EXPERIENCE WOULD NOT BE REPEATED. IT WAS GOING TO BE EXTREMELY DIFFI- CULT TO FIND A FORMULA WHICH OULD BE GENERALLY ACCEPTABLE AND SATISFY THE REQUIREMENTS OF LIBERALIZATION, RECIPROCITY AND HARMONIZATION.

6. IN EXPLAINING HOW ALL REFERENCES TO ZERO DUTIES WERE DROPPED FROM THE PAPER (A STAND- OFF BETWEEN THE WELL- KNOWN DANISH AND FRENCH POSITIONS), WELLENSTEIN REPORTED THAT THERE HAD BEEN NO RPT NO DISCUSSION OF THE LEVEL AT WHICH THE PROPOSED FLOOR MIGHT BE SEN. HE ALSO POINTED OUT THERE IS LEFT OPEN THE POSSIBILITY OF EXCEPTIONS TO THE GENERAL RULE WHICH WOULD PERMIT GOING TO ZERO DUTIES IN CERTAIN CASES. HE CITED SPECIFICALLY THE SECTOR APPROACH WHERE REDUCTIONS TO ZERO MIGHT BE WORKED OUT IN COMBINATION WITH A DEAL IN THE SAME SECTOR ON NON- TARIFF BARRIERS. IN RESPONE TO A QUESTION, WELLENSTEIN STATED FLATLY THAT, DESPITE SOME PRESS REPORTS, THE COUNCIL DID NOT TALK ABOUT THE COMMUNITY RAISING DUTIES TO ACHIEVE TARIFF HARMONIZATION. GREENWALD

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7. NON- TARIFF BARRIERS. ASKED TO COMMENT ON SECTION NINE OF THE NTB CHAPTER, WELLENSTEIN SAID THAT DEFINITIVE ACCEPTANCE OF THE GATT IS NOT AN EC PRE- CONDITION IN THE NEGOTIATIONS, ALTHOUGH THE COMMUNITY BELIEVES THAT CONTACTING PARTIES WILL GIVE UP RECOURSE TO THE PROTOCOL OF PROVISIONAL APPLICATION AS PART OF A FINAL PACKAGE PUTTING ALL CPS ON THE SAME FOOTING.

8. AGRICULTURE. WELLENSTEIN SAID THAT ONE IDEA HAD DISAPPEARED FROM THE COMMISSION DRAFT -- A DECLARATION OF
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INTENT ON STRUCTURAL IMPROVEMENT. HOWEVER, THE IDEA OF A CODE OF GOOD CONDUCT (WITH RESPECT TO EXPORT SUBSIDIES PARTICULARLY) REMAINS IN, EVEN THOUGH THE PRECISE WORDS ARE OUT (SEE PARA THREE, SECTION FOUR OF THE AGRICULTURAL CHAPTER). WELLENSTEIN REPORTED THAT MUCH TIME HAD BEEN WASTED ON WHAT ELEMENTS OF THE CAP HAD TO BE EXCLUDED FROM THE NEGOTIATIONS. THE IRISH, IN ACCORDANCE WITH THEIR SUSPICIOUS APPROACH (SEE PARA 7, REF B), TOOK THE POSITION THAT THE LIST MUST INCLUDE NOT ONLY PRINCIPLES, BUT MECHANISMS, STRUCTURES, MODALITIES, INSTRUMENTS, ETC. TO BE SURE THAT THE CAP WOULD NOT BE TOUCHED IN ANY WAY. WELLENSTEIN BELIEVES, HOWEVER, THAT THE APPROVED TEXT STILL ALLOWS SOME NEGOTIATING POSSIBILITIES. FOR FOUR PRODUCTS (GRAINS, RICE, SUGAR AND DAIRY PRODUCTS), SUCH NEGOTIATIONS WILL DEPEND UPON THE CONCLUSION OF INTERNATIONAL AGREEMENTS CONTAINING MAXIMUM AND MINIMUM PRICES BUT NOT PRODUCTION CONTROLS. BUT HIS IS MODIFIED BY DECLARA-

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TION 6 TO BE ATTACHED TO THE PROCESS- VERBAL (ANNEX TWO OF THE ENCLOSURE TO REFAIR). AFTER CONCLUDING COMMODITY AGREEMENTS TO MODERATE THE INSTABILITY OF WORLD MARKETS, THE COMMUNITY CAN USE THE INSTRUMENTS OF ITS COMMON AGRICULTURAL POLICY AND THE APPLICATION OF ITS MECHANISMS TO CARRY OUT SUCH AGREEMENTS (SECTION FIVE AND PARA 4 OF SECTION FOUR). WELLENSTEIN SAID THESE PROVISIONS MIGHT NOT ALLOW ABOLITION OF THE VARIABLE LEVY, BUT THEY COULD PERMIT AGREEMENTS WHEREBY THE LEVY WOULD BE ZERO OR FIXED FOR RELATIVELY LONG PERIODS. DESPITE THESE EXPLANATIONS, AMBASSADOR GREENWALD FELT THAT UNFORTUNATELY THE AREA FOR NEGOTIATION IN AGRICULTURE SEEMED TO HAVE BEEN NARROWED FROM THE ORIGINAL COMMISSION VERSION. HE ALSO REGRETTED THE ALLUSION TO POSSIBLE FATS AND OILS AGREEMENTS (DECLARATION 5- PROCES- VERBAL).

9. DEVELOPING COUNTRIES. IN RESPONSE TO AMBASSADOR GREENWALD' S EXPRESSION OF CONCERN ABOUT THE NUMEROUS REFERENCES IN CHAPTER V TO MAINTAINING TARIFFS SO LDC PREFERENTIAL MARGINS WOULD NOT DISAPPEAR, WELLENSTEIN REPLIED THAT THE CMMUNITY HAD A HARD TIME FINDING ANYTHING TO SAY TO DEMONSTARTE THEIR DESIRE TO HELP THE POOR COUNTRIES. THUS THEY SEIZED ON THE TARIFF FLOOR IDEA, AMONG OTHERS, TO SHOW THAT THE LDCS WOULD NOT BE LOSING THEIR PREFENTIAL

POSITIONS. AMBASSADOR GREENWALD SUGGESTED THAT THIS WAS AN UNDESIRABLE PRINCIPLE AND CONTRARY TO THE FIRM GREEMENT AMONG THE OECD COUNTRIES THAT LDC PREFERENCES SHOULD NOT RPT NOT BE A BARRIER TO FURTHER TARIFF CUTS ON A M- F- N BASIS.

10. SAFEGUARDS. ACCORDING TO WELLENSTEIN, THIS WAS THE MOST DIFFICULT DISCUSSION. HE WAS PLEASED THT THE MAIN OBJECTIVE OF KEEPING THE CHAPTER IN WAS ACHIEVED. ALTHOUGH NOT MADE CLEAR IN THE TEXT, THE EC WILL NOT SUPPORT DISCRIMINATORY APPLICATION OF SAFEGUARD MEASURES.

11. FUTURE COUNCIL DISCUSSIONS. WELLENSTEIN SAID THAT ONE HELPFUL RESULT OF THIS COUNCIL MEETING WAS THE ABANDONMENT OF THE FRENCH IDEA OF HAVING THE COMMISSION PREPARE A MORE DETAILED MANDATE FOR COUNCIL ACTION. HE CONSIDERS THAT THE PRESENT PAPER WILL CARRY THE COMMISSION THROUGH THE PREPCOM AND TOKYO MEETINGS. UNLESS SOME MEMBER STATE STIRS THINGS UP, THE COMMISSION ITSELF CAN CONTROL THE TIMING OF ANY FUTURE DISCUSSION OF A MORE DETAILED MANDATE. GREENWALD

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Disposition Date: 28 MAY 2004
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